

AR11



1975 ANNUAL REPORT



Metro Trust
The Metropolitan Trust Company



A tribute to our Retiring Chairman



This year, Roland Michener retires as Chairman of The Metropolitan Trust Company.

Founding Chairman of the Company in 1962, The Right Honourable Roland Michener brought to this position the same enthusiasm and energy that have marked his distinguished legal, political and diplomatic careers. Because a company's first steps so often determine its direction and ultimate growth, Metro Trust was especially fortunate to count upon Roland Michener's advice and guidance in the formative years from 1962 to 1964.

Mr. Michener had to abandon his chairmanship in 1964 to accept the prestigious position of High Commissioner to India. The Metropolitan Trust Company nonetheless retained access to his services and counsel as a continuing director of the Company, until he became Governor General of Canada in 1967.

At his investiture as Governor General, he said he hoped to represent Canada as a whole and to symbolize the stability and continuity of its national life and institutions. Certainly he succeeded in giving Canadians a new sense of the unique contribution the representative of the Crown can make in our Parliamentary democracy, and rousing their feelings of pride in their own country.

Mr. Michener returned to Metro Trust in 1974 and once again accepted the chairmanship of the Board of Directors.

As Chairman, Mr. Michener showed a similar regard for all Canadians and the stability of their personal affairs. In helping to make this a national company, Mr. Michener stressed the importance of providing safety and security to every individual.

Each company takes on some of the style of its senior management and Metro Trust has hopefully learned from the energetic independence of its Chairman. Stories are told of the bewilderment of the plain-clothed mounted police when they first encountered the new Governor General jogging around the grounds of Government House. Only when they saw him welcomed into Rideau Hall at the end of his jogging circuit were they completely satisfied that this was indeed the Governor General of Canada.

It is with great gratitude that The Metropolitan Trust Company extends its thanks to Roland Michener for his years with the Company in the roles of Chairman and Director. All of us have enjoyed association with him both in personal terms and in the course of business. To assure a continuation, at least in part, of this happy and useful relationship, we have invited Mr. Michener and he has willingly agreed to accept appointment as The Honorary Chairman of the Company. In this way, his advice and example will continue to benefit Metro Trust for years to come.

Directors and Officers

DIRECTORS

- * THE RIGHT HON. ROLAND MICHENER, P.C., Q.C.
Chairman of the Board—The Metropolitan Trust Company
- * RUDOLF V. FRASTACKY
Executive Deputy Chairman of the Board—The Metropolitan Trust Company
- * T. STEWART RIPLEY, C.T.C.I.
President—The Metropolitan Trust Company
- * JAN DUINKER
Vice-President—The Metropolitan Trust Company
President—Netherlands Overseas Corporation Canada Limited
- LOUIS G. ALLEN
President and Chief Administrative Officer—
Manufacturers National Bank of Detroit
- Bata
Blumen*
* JOHN D. BRADLEY
President—Bradley Farms Limited
President—First Chatham Corporation
- JOSEPH A. N. CHIAPPETTA, Q.C.
Barrister and Solicitor—Partner—Gambin, Bratty, Chiappetta, Morassutti & Caruso
- DR. HELMUT FROST
Member of the Board of Management—Simonbank AG
Düsseldorf, West Germany
- THE HON. DOUGLAS S. HARKNESS, P.C., G.M., E.D., B.A.
Member of the Privy Council of Canada
Farmer
- J. ALEX. LANGFORD, Q.C.
Barrister and Solicitor—Partner—Miller, Thomson, Sedgewick, Lewis & Healy
- DR. FRANZ MAIER
Bank Director and Member of the Board of Management
Bayerische Landesbank Girozentrale, Munich, West Germany
- * J. JACQUES PIGOTT
Executive Vice-President—Pigott Construction Company Limited
- * LAWRENCE W. SKEY, D.F.C., B.Comm.
Managing Director—Economic Investment Trust Limited
- SENATOR, THE HON. RICHARD J. STANBURY, Q.C.
Barrister and Solicitor—Cassels Brock
- NIKOLAUS von NIESSEN
Manager—Credit Suisse (Canada) Limited
- DR. HANS HEINRICH RITTER von SRBIK
General Partner—Bankhaus H. Aufhauser, Munich, West Germany
- * Members of Executive Committee

OFFICERS

- Chairman of the Board—The Right Hon. Roland Michener
Executive Deputy Chairman of the Board—Rudolf V. Frastacky
President—T. Stewart Ripley, C.T.C.I.
Vice-President—Jan Duinker
Vice-President and General Manager—A. Jack Russell, M.T.C.I.
Vice-President—Real Estate—Ted Stella
Vice-President—Mortgage Banking—J. Malcolm Wreden
Secretary-Treasurer—Lloyd B. Will
Assistant Treasurer—Edwin J. Carter, C.A.
Assistant Treasurer—H. Vernon Paige, C.A.
Assistant Secretary—Margo E. Lindner

DIVISIONAL MANAGERS

- Branch Division—Frederick J. Lockhart
Mortgage Division—Philip A. Armstrong, M.T.C.I.
Personnel Division—Kenneth A. Garner
Systems Division—Joseph A. DeKort
Trust Division—Warren Thompson, M.T.C.I.
Accounting Division—Maryann Vanek, Assistant Controller



President's Report

On behalf of the Board of Directors, I am pleased to present your Company's annual report. The growth in operating profits during our 13th full year of operations was the greatest in the Company's history, reflecting both real growth and recovery from the conditions of 1974 in which earnings for the Company and the trust industry declined substantially.

Earnings for all areas of our operations increased, except for fee income on our international real estate activities. Net after-tax earnings, before sale of securities, were \$1,703,000 or \$2.59 per share compared to \$733,000 or \$1.12 per share in 1974. Including profits on sales of securities of \$44,000, net earnings were \$1,747,000 or \$2.66 per share, up from \$1,477,000 or \$2.25 per share last year.

Three major factors contributed to your Company's 1975 performance.

First, the Company consolidated operations and maintained tight internal controls.

Second, the Company benefited from a restructuring of assets in the last quarter of 1974. Proceeds from the sale of lower yielding long-term municipal and corporate bonds were reinvested primarily in higher yielding short-term investments. In addition, the percentage of total assets committed to mortgages was raised to 75.5 percent in 1975 with our mortgage portfolio increasing by \$47,973,000.

Third, the decline of interest rates early in 1975 permitted a return to more normal interest spreads.

Your Company's financial position improved considerably from 1974. Deposits increased by 18 percent to \$341 million; mortgages grew by 21 percent to \$273 million bringing the total portfolio of mortgages serviced for company and client accounts to \$459 million; Estate Trust and Agency assets were up 13 percent to \$479 million. This growth brought your Company's total assets under administration to \$840 million, an increase of \$112 million or 15 percent.

Your Directors again approved a 5 percent stock dividend in 1975, thereby retaining 1974 earnings in the Company, which allowed for an increase in our borrowing base. This year the Board feels it is reasonable and necessary to pay a cash dividend. We have had to apply to the Anti-Inflation Board for a ruling on this change from a stock dividend, but your Directors are expecting to report to shareholders very soon on the response of the Federal Board to our proposal.

Government legislation continued to have both positive and negative impact on your Company's business in 1975.

Investments in real property by non-residents have been discouraged in Ontario where the Land Speculation and Land

Transfer taxes remained in force. The introduction of rent review legislation in Ontario, British Columbia and Quebec has acted as a further disincentive to non-resident investors and our fee income from international real estate operations has declined. We are now placing more emphasis on investment in the United States and other provinces.

In 1975, your Company took advantage of the new regulations under the Loan and Trust Corporations Act which allows for the issue of subordinated notes instead of shares to provide for increases in the borrowing powers of trust companies. In the second quarter of 1975, a private placement \$500,000 subordinated note was issued. Early in 1976, we negotiated an additional \$2 million, bringing the total of subordinated debt to \$2.5 million, thereby increasing the Company's borrowing capabilities by \$50 million without diluting shareholders' equity. It is our intention to make an additional private placement of \$2 million this year.

In June, Dr. Joachim Borchart, General Partner of Simonbank AG, retired from the bank and your Board. We were pleased to welcome, in his place, Dr. Helmut Frost, member of the Board of Management of Simonbank AG.

Regrettably, Roland Michener will retire this year. With his retirement and the proposed addition of another Director, two vacancies will exist on the Board. To fill these vacancies, Management will be proposing two nominees: Mrs. Sonja J. Bata and Mr. Peter J. M. Bloeman.

Mrs. Sonja J. Bata, a Director of Bata Limited, is an outstanding Canadian whose contribution in the cultural, social, educational and business fields is evidenced by her involvement with: the National Design Council of Canada, as Immediate Past Chairman; the Girl Guide movement, as a member of the Finance Committee of the World Association for 3 years; Carleton University School of Industrial Design as a member of the Advisory Committee; Canadian Chamber of Commerce, as a member of the Executive Committee. Mrs. Bata is an Officer and Director of many other boards and councils.

Mr. Peter J. M. Bloeman has been President of Trucena Investments Limited since its inception in 1969. Trucena Investments is a private investment company engaged in merchant banking activities. A graduate of the Netherlands School of Business, Mr. Bloeman's experience, includes 18 years as a representative of a major Dutch bank in various countries, including Japan, Saudi Arabia and Lebanon. He is also a Director of a number of other Canadian companies.

Outlook

Growth should continue at a satisfactory pace for the Company in 1976 and we are optimistic about improvement in the Canadian economy as a whole. However, revisions to the Bank Act and the possibility of price and income controls on trust companies add a note of uncertainty to the year.

Our operating expenses must increase in 1976 to assure long-term growth and stability. We have budgeted for additional expenses this year for expansion of head office premises, the addition of two new branches, the implementation of staff training programs and more intensive marketing efforts.

Given stable interest rates in 1976, the significant improvements in our volume of earning assets and increased investment in residential mortgages should provide for higher earnings this year.

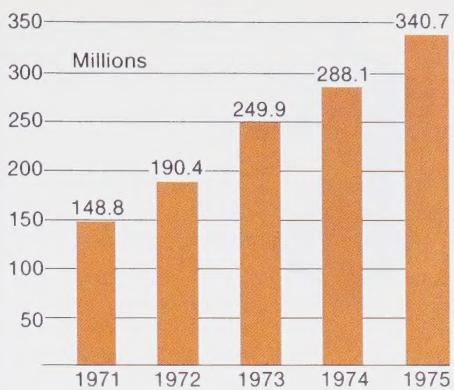
In conclusion, I would like to extend the sincere appreciation of Management and Directors to all our staff who provided the energy and the effort to make 1975 a success.



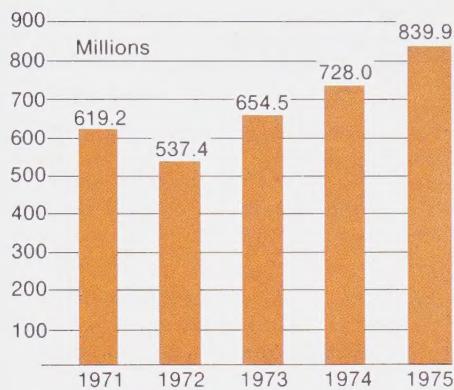
T. S. RIPLEY
President



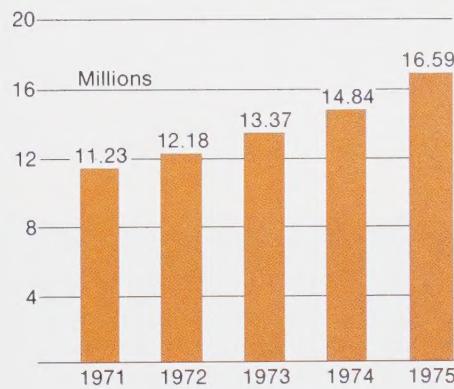
GROWTH OF DEPOSITS (Cumulative)



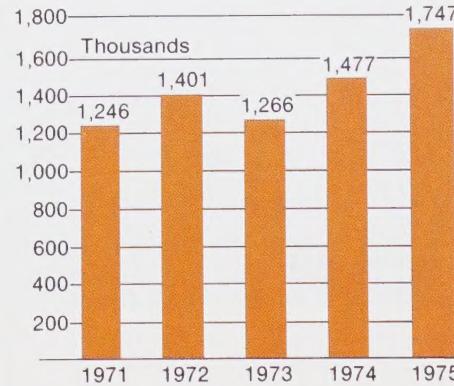
TOTAL ASSETS UNDER ADMINISTRATION



SHAREHOLDERS' EQUITY



NET EARNINGS





Operations Report



New residential construction financed through Metro Trust on Beresford Street in Burnaby, British Columbia. At year end, Metro Trust had invested 75.5 percent of its total assets in mortgages.

Financing Residential Construction

In 1975, Metro Trust increased its financing for new housing in Canada. At year end, the Company had 75.5 percent of its total assets invested in mortgages, primarily residential. \$71 million in mortgage funds were made available for new housing during the year to finance 2,200 new homes. This compares to the previous year where \$58 million was invested for residential construction.

Metro Trust now administers 13,300 individual mortgages totalling \$459 million.

Our Mortgage Banking Division has been instrumental in expanding our capacity to direct more funds into housing. The Division specializes in finding mortgage investment opportunities for sale to pension fund and institutional investors. In 1975, Mortgage Banking committed \$58 million for client accounts, \$24 million more than in 1974.

Metro Trust's role as a provider of funds for housing has been as socially satisfying as it has been profitable. The Metropolitan Trust Company is a professional specialist in real estate investments. Our main business has been as a mortgage loan originator and servicing agent for institutional lenders. We also serve investors whose objectives encompass all manner of

interest in real estate. As a result, we have become experts in finding, negotiating and administering mortgage loans, participations, leaseholds, fee ownerships, joint ventures and other interest in real property that fulfill investor requirements. Our principal objective is to provide investors with both safety of principal and a competitive level of net income. Continued emphasis on increasing mortgage financing is anticipated in the years ahead.

The Federal Government's Housing Action Program announced in November of 1975, gives renewed priority to housing construction. Private lending institutions are expected to come up with the bulk of the financing for the targeted one million new homes over the next four years.

Many factors will influence the Company's ability to increase its commitments to new housing construction, but the Company has taken three definite steps to increase its mortgage financing capabilities. First, we have determined that we will attempt to increase, in time, the percentage of our total assets in mortgages to the legally permissible limit of 80 percent.

Second, we have bolstered the senior staff of our Mortgage Banking Division to attract more client investments.

Third, we have applied to increase our borrowing limits from 20 to 25 times the Company's unimpaired capital and reserves. This, in addition to the subordinated debt private placements, referred to in the President's Report, will greatly increase our ability to accept deposits, which expands our mortgage financing capabilities for new housing.

The Company's established relationship with European investors provides another source for additional mortgage financing. The present high interest rates have stimulated considerable interest from this source.



Metro Trust acts as a Trustee for large corporate pension plans. Well financed pension plans are increasingly important to protect employees from inflation and to provide for a dignified retirement.

Increasing Trustee Service

Increased awareness of Metro Trust's full trustee service, backed by highly capable and experienced personnel, contributed to a substantial growth in the volume of business for the Trust Division.

A continuity of referral business helped our Personal Trust Department expand its client portfolio by 21 percent in 1975, with greatly increased numbers of estates under administration, investment and safe custody accounts and new will appointments.

A growing emphasis on the Company's expertise in providing corporate trustee services to Canadian corporations, both large and small, resulted in a number of new corporate trustee appointments in 1975, including three major pension plans, and total assets under administration for corporate pension plans increased 135 percent over the previous year. Although the performance of the stock market in 1975 did not encourage a great number of new underwritings, our corporate trust services of transfer agent and

registrar experienced a 16 percent growth. In every area of our corporate trustee service — including dividend disbursing agent, bond trustee, insurance trustee for condominium corporations — our experience and reputation for service is attracting new clients.

Our Corporate Management Division now manages the affairs of over 100 private investment companies for overseas clients. Despite declining investment in Canadian real estate, the Division continues to receive new appointments.

Public awareness and the growth of our savings branches helped effect a 42 percent increase in the number of Registered Retirement Savings Plans and Registered Home Ownership Savings Plans in 1975.

The flexibility of investment options proved to be an attractive feature of our Registered Savings Plans. Up to four basic investment vehicles can be selected: Guaranteed Investment Certificates, a Growth Fund, a Mortgage Fund, or a Self-Administered Plan. Registering a Premium Savings Account is an additional option available to Home Ownership Savings Plans holders.

Personal savings are thought to have exceeded 9 percent of disposable income during the year, the highest level in recent memory. Wage and salary settlements also reached historic highs during 1975, providing more money for both corporate and personal investment plans. Both union and management have recognized the increasing importance of well-financed pension plans capable of protecting employees from inflation and providing for a dignified retirement. Long-term trends for the Trust Division are consequently positive.

Expanding the Branch Network

Metro Trust's branch expansion program was curtailed for most of 1975, as operations were consolidated and a policy of tight internal controls was in effect. Our branch expansion program will be renewed in 1976 with the anticipated opening of at least two new branches and a number of agency offices.

In December of 1975, a new branch was opened in Smiths Falls, Ontario. The branch is particularly well situated in the new County Fair Mall, the first modern shopping mall to serve Smiths Falls and the surrounding communities. Offering a full range of financial services, Metro Trust is the only trust company serving the counties of Lanark, Leeds and Grenville. Our initial reception from the community has been excellent and we can confidently anticipate increasing growth in the Smiths Falls market.

With the new Smiths Falls addition, Metro Trust now has 21 savings branches. Metro Trust plans to continue to expand its savings branch network, broadening its geographic scope to serve a greater number of Canadians.

In 1976, our expansion plans include the opening of our first Alberta branch, in Edmonton. As a growing Canadian company, Metro Trust should be active in providing financial services in this important western Canadian centre. The move into western Canada is a natural development for the Company. Our two savings branches and Industrial and Commercial Real Estate offices in Vancouver, have established Metro Trust as a presence in western Canada.

Metro Trust has already opened one new agency office in North Bay, Ontario, in



Roland Michener was guest of honour at official opening ceremonies of Smiths Falls, Ontario branch. Offering a full range of services, Metro Trust is the only trust company serving the counties of Lanark, Leeds and Grenville.



1976. The new office is an arm of the Canadian First Mortgage Corporation, a subsidiary of Metro Trust, an incorporated Loan Company under the Ontario Loan and Trust Corporations Act.

"Canadian First" completed another successful year of operations with assets at year end exceeding \$25 million. The Canadian First Mortgage Corporation will play an expanding role in Metro Trust's efforts to direct more funds into the non-urban housing sector. A number of agents act on Canadian First's behalf throughout Ontario for the sale of Savings Certificates.

Metro Trust branches are also providing more services to more customers. Deposits in branches grew to \$341 million in 1975, an increase of 18 percent. The Golden Acorn 2000 Savings Account, providing daily interest, continues to be an attractive savings vehicle for our customers, accounting for approximately \$30 million in deposits.

The Company continues to explore new service areas for its branch system. We recently introduced a competitively priced tax service in Ontario to existing and new customers, assisting them in the preparation of their income tax returns and in the planning of their financial affairs.



Metro Trust Branch Manager, Dorothy Donaghy, with customers: diversified financial services require highly trained personnel.

Providing a Good Place to Live

Metro Trust continues to be the largest property manager among Canadian trust companies, with a full range of residential, commercial, industrial and farm properties under administration. At year end, our Property Management Division was maintaining and administering 6,500 residential units. A shift in emphasis from rental to condominium properties began in 1973 and 1,200 condominium units are now under management by Metro Trust.

The burdens of government regulations incurred additional administrative costs which had to be absorbed almost entirely by the property owners. A continuance of government impositions will result in a diminishing return to the owners, and affect the Company's fee income.

Metro Trust does not expect to increase its rental property management activities in 1976. The Ontario Land Transfer Tax and the Land Speculation Tax, together with rent review legislation in Canada's three largest provinces, have discouraged investment in rental accommodation and the market for existing apartment buildings slowed to a snail's pace in 1975.

Condominium living in Canada is in its early stages of development. Over the next five years, difficulties with legislation and administration should be resolved, enabling individual condominium corporations to operate more effectively. As this maturing process takes place, Metro Trust expects to increase its condominium management portfolio.

Metro Trust's long term experience with managing rental properties has put the Company in the forefront of condominium management. Our professional maintenance department for rental and condominium units and the 24-hour emergency availability of maintenance personnel are attractive features of the Metro Trust management program.

Metro Trust has also developed comprehensive and understandable property management agreements which go a long way toward removing the uncertainties in condominium management. These agreements are continually improved and updated to respond to the changing needs of condominium living.

Rent review legislation has put renewed emphasis on efficient property management operations. Our existing on-line computer accounting system, developed over the past two years, has helped to control costs. Other efficiency measures will be evaluated in 1976.

The Property Management Division is part of the Company's complete real estate operations. As indicated in the President's Message, because of increasing government impositions on foreign ownership, our international real estate activities are being concentrated in the United States and Canadian provinces without rent controls. Of growing importance, are our domestic real estate operations and our



Townhouses and apartments on Sheppard Avenue in Toronto managed by the Property Management Division which administers and maintains 6,500 residential units across Canada.

appraisal services. At present, Metro Trust has three domestic real estate offices and a full service Appraisal Department, staffed by highly experienced, qualified personnel.

Managing for the Future

The Company's optimism about the future is based on proven capabilities and long-term planning. The capabilities can be seen in Metro Trust's systems, specific expertise in all financial areas, organization of its services, and by its increased leadership within the industry. These combine to provide greater profits for shareholders and greater services for customers.

The Corporate Systems Division is a key to major operational improvements in all divisions. Programs in progress have already greatly increased efficiency in several areas. An on-premise computer terminal, installed at head office during 1975, has reduced computer-time costs by 30 percent. In March 1976, an on-line mini-computer will be installed to eliminate the cumbersome punch card system. Micro-filming is now done for many applications directly from the computer. Metro Trust has been a leader in introducing micro-filming concepts to its operations, reducing paper storage space and costs throughout all divisions of the Company.

The Division has initiated the concept for the first Trust Company Consortium in Canada. This is a unified effort by a number of trust companies to combine their systems and data processing requirements and to take advantage of shared costs for systems development and of volume dis-

counts through mass processing. This could be a significant breakthrough and demonstrates the Division's and the Com-

pany's innovativeness in the computer field.

The development of Divisional Management with a profit centre approach has contributed to improved cost control and service efficiencies, as reflected in 1975 increased earnings. Emphasis is on qualified back-up personnel. Greater use of the Trust Company Institute educational programs and our own training programs will ensure development of such personnel.

Metro Trust continues to play an active role in the Trust Companies Association. We strongly encouraged the establishment of the Trust Institute, the educational arm of the Association, to help up-grade the calibre of staff in the Trust industry.

The Trust industry will likely experience a period of dramatic change in the next five years. The Review of the Bank Act, and increasing government regulations of real estate cause immediate concern and uncertainty.

New services and products, more efficiency through the use of on-line computer systems and one statement banking, are just some of the developments expected in the next several years. The conventional role of trust companies in mortgage investments may change and other investments take on new priorities.

In 1976, Metro Trust will finalize its second five year plan to assure a continued and profitable growth.



Divisional Managers Meeting: Highly experienced individuals heading up the operating divisions of Metro Trust enabled the Company to increase services and reduce costs to its varied corporate and individual clients.



Metro Trust

The Metropolitan Trust Company

(Incorporated under The Loan and Trust Corporations Act of Ontario.)
and its subsidiaries

Consolidated Balance Sheet December 31, 1975

(with comparative figures
at December 31, 1974)

Assets

	1975	1974
Cash and bank deposit receipts	\$ 33,910,000	\$ 27,711,000
Short-term investments, at cost which approximates market value	12,842,000	16,335,000
 Bonds:		
Government of Canada and		
Provincial	21,811,000	18,881,000
Municipal and corporate	3,952,000	4,066,000
 Total, at amortized cost (market value 1975 – \$24,453,000; 1974 – \$21,919,000)	25,763,000	22,947,000
Stocks, at cost (market value 1975 – \$4,885,000; 1974 – \$3,457,000)	4,748,000	3,534,000
Interest accrued on investments and loans	4,380,000	2,907,000
Fees, commissions and other receivables	118,000	238,000
Income taxes recoverable	—	700,000
 Mortgages, loans and advances:		
Mortgage loans, at amortized cost	261,383,000	223,590,000
Advances on mortgages to be resold	11,264,000	1,084,000
Advances to estates, trusts and agencies	558,000	280,000
Personal and secured loans	3,510,000	3,313,000
	<u>276,715,000</u>	<u>228,267,000</u>
Income-producing properties, at cost less accumulated depreciation of \$78,000 (1974 – \$49,000)	1,277,000	1,288,000
Deferred cost of scholarship programme, less amortization	376,000	442,000
Premises, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$1,351,000 (1974 – \$1,207,000)	974,000	1,058,000
	<u>\$361,103,000</u>	<u>\$305,427,000</u>

(See accompanying notes to the consolidated financial statements)

Liabilities and Shareholders' Equity

	1975	1974
Deposits and borrowings (note 2):		
Savings and chequing deposits	\$113,199,000	\$ 88,537,000
Term deposits	22,609,000	24,190,000
Investment certificates	196,422,000	169,715,000
Interest accrued on deposits and borrowings	8,490,000	5,673,000
	340,720,000	288,115,000
Other liabilities:		
Sundry accrued liabilities	417,000	388,000
Income taxes payable	156,000	—
Mortgages payable on income- producing properties	713,000	742,000
	1,286,000	1,130,000
Deferred income taxes	2,006,000	1,338,000
Subordinated note due 1981	500,000	—
Shareholders' equity:		
Capital stock (note 3) —		
Authorized:		
1,000,000 shares without par value		
Issued:		
657,802 shares (1974 — 626,479)	5,973,000	5,970,000
Contributed surplus	2,422,000	2,422,000
Reserve fund	4,500,000	4,000,000
Retained earnings	3,696,000	2,452,000
	16,591,000	14,844,000
On behalf of the Board:		
ROLAND MICHENER, Chairman of the Board		
T. STEWART RIPLEY, President		
	\$361,103,000	\$305,427,000

Consolidated Statement of Earnings

For the Year Ended December 31, 1975

(with comparative figures for the year ended December 31, 1974)

	1975	1974
Income:		
Interest on mortgages	\$23,794,000	\$19,488,000
Interest and dividends on securities	6,006,000	5,646,000
Interest on personal and secured loans	411,000	324,000
Fees and commissions from —		
Estates, trusts and agencies ...	1,714,000	1,407,000
Real estate	1,111,000	1,571,000
Mortgages	712,000	595,000
Other sources	240,000	238,000
	<u>33,988,000</u>	<u>29,269,000</u>
Expense:		
Interest on deposits and borrowings	23,870,000	21,119,000
Salaries and staff benefits	3,898,000	3,594,000
Real estate commissions	715,000	934,000
Premises expense (note 4)	952,000	908,000
Other operating expenses	1,800,000	1,729,000
	<u>31,235,000</u>	<u>28,284,000</u>
Earnings before income taxes	2,753,000	985,000
Income taxes (note 5):		
Current (recovery)	382,000	(14,000)
Deferred	668,000	266,000
	<u>1,050,000</u>	<u>252,000</u>
Earnings before profits on sales of securities	1,703,000	733,000
Profits on sales of securities (note 6)	44,000	744,000
Net earnings	<u>\$ 1,747,000</u>	<u>\$ 1,477,000</u>
Earnings per share, based on the weighted average number of shares outstanding (1974 restated to reflect 5% stock dividend paid in 1975):		
Earnings before profits on sales of securities	\$2.59	\$1.12
Profits on sales of securities07	1.13
Net earnings	<u>\$2.66</u>	<u>\$2.25</u>

(See accompanying notes to the consolidated financial statements)

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 1975
(with comparative figures for the year ended December 31, 1974)

	1975	1974
Source of funds:		
Operations —		
Earnings before profits on sales of securities	\$ 1,703,000	\$ 733,000
Add (deduct) non-cash items:		
Amortization of investments and mortgages	(472,000)	(505,000)
Depreciation of premises and income-producing properties	214,000	209,000
Deferred income taxes ..	668,000	266,000
Amortization of deferred cost of scholarship programme	66,000	36,000
Profits on sales of securities ..	2,179,000	739,000
	44,000	744,000
Total from operations ...	2,223,000	1,483,000
Issuance of subordinated note	500,000	—
Issuance of capital stock	—	2,000
Increase in deposits and borrowings	52,605,000	38,185,000
Decrease in bonds and stocks (net)	—	449,000
	<u>\$55,328,000</u>	<u>\$40,119,000</u>
Application of funds:		
Mortgages, loans and advances	\$48,163,000	\$35,307,000
Investments in bonds and stocks ..	3,843,000	—
Additions to premises and equipment (net)	101,000	299,000
Increase in cash and bank deposit receipts and short-term investments	2,706,000	2,514,000
Net increase in other assets	515,000	1,999,000
	<u>\$55,328,000</u>	<u>\$40,119,000</u>

(See accompanying notes to the consolidated financial statements)

Consolidated Statements of Contributed Surplus, Reserve Fund and Retained Earnings

For the Year Ended December 31, 1975
*(with comparative figures for
 the year ended December 31, 1974)*

	1975	1974
Contributed Surplus		
Balance, beginning of year	\$2,422,000	\$2,421,000
Premiums received on shares issued	—	1,000
Balance, end of year	<u>\$2,422,000</u>	<u>\$2,422,000</u>
 Reserve Fund		
Balance, beginning of year	\$4,000,000	\$3,500,000
Add transfer from retained earnings	500,000	500,000
Balance, end of year	<u>\$4,500,000</u>	<u>\$4,000,000</u>
 Retained Earnings		
Balance, beginning of year	\$2,452,000	\$1,478,000
Add net earnings	1,747,000	1,477,000
Deduct:		
Stock dividends (note 3)	3,000	3,000
Transfer to reserve fund	500,000	500,000
	<u>503,000</u>	<u>503,000</u>
Balance, end of year	<u>\$3,696,000</u>	<u>\$2,452,000</u>

(See accompanying notes to the consolidated financial statements)

Notes to the Consolidated Financial Statements

DECEMBER 31, 1975

1. Summary of significant accounting policies

The following is a summary of significant accounting policies followed in the preparation of the consolidated financial statements:

(a) Basis of consolidation —

The consolidated financial statements include the accounts of the Company and its subsidiaries, International Savings and Mortgage Corporation, Canadian First Mortgage Corporation, Metco Investments Limited, Scholarship Consultants of North America Ltd. and CDI Financial Corporation. CDI Financial Corporation was incorporated in July of 1974 and commenced operations in October of 1974.

(b) Deferred cost of scholarship programme —

The deferred cost of scholarship programme represents the acquisition cost less amortization of all of the outstanding shares of Scholarship Consultants of North America Ltd., a company which administered a university scholarship programme of which The Metropolitan Trust Company is depository and trustee. As the acquisition will result in a reduction of future expenses, the cost of the shares is being amortized over eight years, the period during which it is estimated the reductions in expenses will be realized.

(c) Depreciation and amortization —

Company - owned premises, including income - producing

properties, are depreciated on the straight-line basis over forty years. Improvements to leased premises and furniture and fixtures are depreciated on the straight-line basis over eight years. Automobiles are depreciated on the declining balance basis at an annual rate of 30%.

(d) Fees and commissions —

Fees and commissions on real estate and mortgage transactions are recorded on the settlement of the transaction. Other fee income is accrued at the time the services are rendered.

(e) Income taxes —

The Company follows the tax allocation method of accounting for income taxes. Deferred taxes relate principally to mortgage reserves claimed for tax purposes which are in excess of amounts recorded in the accounts.

2. Guaranteed trust account

Total deposits and borrowings of \$340,720,000 consist of guaranteed trust liabilities of \$267,800,000 (secured by assets of an equal amount) and deposits and debentures of subsidiary loan corporations of \$72,920,000.

3. Capital stock

In 1975, 31,301 shares were issued on declaration of a 5% stock dividend. An amount of \$3,000, or 10 cents per share, was added to capital stock and charged against retained earnings. Also in 1975, 22 shares were issued at \$15 per share in exchange for shares of a subsidiary company acquired from minority shareholders.

4. Premises expense

Premises expense includes the following items:

	1975	1974
Depreciation	\$185,000	\$180,000
Rentals paid	546,000	543,000
Other	221,000	185,000
	<u>\$952,000</u>	<u>\$908,000</u>

The Company's head office and branch premises are held under long-term leases extending over the next 15 years. The minimum annual rental payable in 1976 under all leases currently in force totals \$569,000.

5. Income taxes

Earnings before income taxes and profits on sales of securities include the following amounts which are not subject to income tax:

	1975	1974
Amortization of investments	\$188,000	\$262,000
Dividends and interest on income bond	500,000	232,000
	<u>\$688,000</u>	<u>\$494,000</u>

6. Profits on sales of securities

Profits on sales of securities consist of:

	1975	1974
Non-taxable net profits	\$ 3,000	\$1,131,000
Taxable net profits (losses)	84,000	(764,000)
	87,000	367,000
Income taxes applicable thereto	(43,000)	377,000
	<u>\$44,000</u>	<u>\$ 744,000</u>

7. Directors' and officers' remuneration

Remuneration of directors and officers was as follows:

	1975	1974
Directors	\$ 23,000	\$ 24,000
Officers	451,000	402,000
	<u>\$474,000</u>	<u>\$426,000</u>

8. Anti-Inflation Program

The Company is subject to controls on dividends under the Anti-Inflation Act which became effective October 14, 1975. At this time, there are a number of general uncertainties concerning implementation of the program so that the impact on the Company's future operations cannot be accurately determined.

Auditors' Report

To the Shareholders of
The Metropolitan Trust Company:

We have examined the consolidated balance sheet of The Metropolitan Trust Company and its subsidiaries as at December 31, 1975 and the consolidated statements of earnings, contributed surplus, reserve fund, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances and we obtained all the information and explanations we required.

In our opinion these consolidated financial statements present fairly the financial position of The Metropolitan Trust Company and its subsidiaries as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.,
Chartered Accountants

Toronto, Canada
February 6, 1976

MATURITIES SCHEDULE

Maturities of Deposits & Borrowings (000's)

	December 31, 1975					December 31, 1974		
	Investment Certificates	Savings	Short-Term Deposits	Chequing	Total	%	Total	%
On demand and due within 1 year	\$ 65,985	\$87,313	\$22,609	\$25,886	\$201,793	60.7	\$156,841	55.5
1 to 5 years	130,425				130,425	39.2	125,499	44.4
6 to 10 years	12				12	.1	102	.1
	\$196,422	\$87,313	\$22,609	\$25,886	\$332,230	100.0%	\$282,442	100.0%

Maturities of Investments (000's)

	December 31, 1975					December 31, 1974			
	Cash and Bank Deposit Receipts	Short Term Investments	Secured Loans and Advances to Clients	Securities	Mortgages	Total	%	Total	%
On demand and due within 1 year	\$33,910	\$12,842	\$4,068	\$ 3,735	\$ 21,210	\$ 75,765	21.4	\$ 71,419	23.9
1 to 5 years				13,521	223,555	237,076	67.0	171,133	57.3
6 to 10 years				6,862	4,696	11,558	3.3	22,163	7.4
11 to 15 years				816	9,628	10,444	3.0	10,651	3.6
16 to 20 years				601	3,070	3,671	1.0	6,879	2.3
Over 20 years				228	10,488	10,716	3.0	13,015	4.4
Preferred and Common Stock ..				4,748		4,748	1.3	3,534	1.1
	\$33,910	\$12,842	\$4,068	\$30,511	\$272,647	\$353,978	100.0%	\$298,794	100.0%

OUR SENIOR MANAGEMENT TEAM



From left to right: A. Jack Russell, Rudolf V. Frastacky, T. Stewart Ripley, Lloyd B. Will.

OUR GROWTH IN BRIEF

Assets, Deposits and Borrowings and Equity at December 31

	1975	1974	1973	1972	1971
Mortgages	\$272,647,000	\$224,674,000	\$190,680,000	\$153,314,000	\$110,988,000
Other Company and Guaranteed Account assets	88,456,000	80,753,000	75,564,000	50,509,000	49,584,000
	361,103,000	305,427,000	266,244,000	203,823,000	160,572,000
Estates, Trusts and Agencies	478,752,000	422,594,000	388,294,000	333,615,000	458,587,000
Total Assets under Administration	\$839,855,000	\$728,021,000	\$654,538,000	\$537,438,000	\$619,159,000
Savings and Term Deposits and Investment Certificates	\$340,720,000	\$288,115,000	\$249,930,000	\$190,390,000	\$148,745,000
Deferred Income Taxes and Other Liabilities	\$ 3,792,000	\$ 2,468,000	\$ 2,949,000	\$ 1,256,000	\$ 593,000
Shareholders' Equity	\$ 16,591,000	\$ 14,844,000	\$ 13,365,000	\$ 12,177,000	\$ 11,234,000

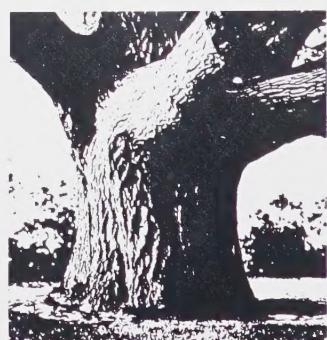
Earnings	1975	1974	1973	1972	1971
Earnings before Profits on Sales of Securities	\$1,703,000	\$733,000	\$1,229,000	\$1,173,000	\$734,000
Profits on Sales of Securities	44,000	744,000	21,000	63,000	87,000
Earnings before Extraordinary Credit	1,747,000	1,477,000	1,250,000	1,236,000	821,000
Extraordinary Credit-Tax Reduction	—	—	16,000	165,000	425,000
Net Earnings	\$1,747,000	\$1,477,000	\$1,266,000	\$1,401,000	\$1,246,000

Earnings Per Share (note)

Earnings before Profits on Sales of Securities	\$2.59	\$1.12	\$1.89	\$1.85	\$1.58
Profits on Sales of Securities07	1.13	.03	.10	.19
Earnings before Extraordinary Credit	2.66	2.25	1.92	1.95	1.77
Extraordinary Credit – Tax Reduction	—	—	.03	.26	.91
Net Earnings	\$2.66	\$2.25	\$1.95	\$2.21	\$2.68

Note: For comparative purposes the earnings per share of prior years have been restated to reflect 5% stock dividends paid in 1975 and 1974.

TALL OAKS FROM LITTLE ACORNS GROW





Metro Trust

The Metropolitan Trust Company

Offices

HEAD OFFICE

353 Bay Street, Toronto

869-1880

SAVINGS BRANCHES

TORONTO AND AREA:

353 Bay St., B. Budd, Mgr.	869-1880
2326 Bloor St. W., J. De Jong, Mgr.	763-5551
3038 Bloor St. W., G. Bell, Mgr.	236-1107
681 Danforth Avenue, L. Ruffolo, Mgr.	461-0221
43 Eglinton Ave. E., D. Rogers, Mgr.	485-1173
852 Eglinton Ave. W., L. Cooper, Mgr.	789-2149
1171 St. Clair Ave. W., J. Crisostomo, Mgr.	654-8906
628 Sheppard Ave. W., D. Donaghy, Mgr.	638-1955
45 Overlea Blvd., Thorncliffe Market Place, J. Williams, Mgr.	421-3900
6432 Yonge St., Towne and Countrye Square, R. Wigmore, Mgr.	223-6420
1603 Wilson Ave. W., V. Snow, Mgr.	244-1101
1250 South Service Rd., Dixie Plaza, M. Oram, Mgr.	274-3681

CHATHAM:

635 Grand Avenue W., Thameslea Shopping Centre, J. McKay, Mgr.	354-5110
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SMITHS FALLS:

275 Brockville St., County Fair Mall, D. Webb, Mgr.	283-2641
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WINDSOR:

500 Ouelette Ave., The Metropolitan Trust Building, L. Wicks, Mgr.	252-7712
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MONTREAL:

4861 Van Horne Ave., Van Horne Shopping Centre, P. Nicell, Mgr.	731-6883
7075 Cote St. Luc Rd., Cote St-Luc Shopping Centre, A. Barbusci, Mgr.	486-7393
2324 Lucerne Rd., Town of Mount Royal Shopping Centre, J. Marcoux, Mgr.	735-1155
5268A Queen Mary Rd., F. Becker, Mgr.	481-2752

VANCOUVER:

544 Howe St., V. Brown, Mgr.	688-0251
927 Marine Dr. N., Capilano Mall, North Vancouver	980-6061

REAL ESTATE OFFICES:

RESIDENTIAL:

1599 Ellesmere Rd., Scarborough	291-7715
1250 South Service Rd., Dixie Plaza, Mississauga	274-3663
400 Adelaide St. N., London	672-0520

INDUSTRIAL AND COMMERCIAL:

353 Bay Street, Toronto	869-1880
424 Queen Street, Ottawa	235-1458
2324 Lucerne Road, Montreal	735-1155
Suite 2222, Board of Trade Tower, 1177 West Hastings Street, Vancouver	689-8761

PROPERTY MANAGEMENT

15 Toronto Street, Toronto	869-1100
116 Lisgar Street, 4th floor, Ottawa	234-8425
544 Howe Street, Vancouver	732-3331

SUBSIDIARY COMPANIES:

CDI Financial Corporation
 Canadian First Mortgage Corporation
 International Savings and Mortgage Corporation
 Scholarship Consultants of North America Ltd.
 Metco Investments Limited

SERVICES

SAVINGS ACCOUNTS • CHEQUING ACCOUNTS • GUARANTEED
INVESTMENT CERTIFICATES • SAVINGS CERTIFICATES • TERM
DEPOSITS • PERSONAL LOANS • REGISTERED RETIREMENT SAVINGS
PLANS • REGISTERED HOME OWNERSHIP SAVINGS PLANS • ESTATE
PLANNING • MORTGAGE FINANCING • REAL ESTATE
SALES • REAL ESTATE COUNSELLING AND
APPRAISALS • INVESTMENT FUNDS • INVESTMENT MANAGEMENT
AGENCIES • PENSION TRUST SERVICES • CORPORATE TRUST
SERVICES • MORTGAGE CORRESPONDENT & SERVICING
AGENT • PROPERTY MANAGEMENT • CONDOMINIUM MANAGEMENT



Metro Trust and the Trust Companies Association

The Metropolitan Trust Company's active participation in the Trust Companies Association of Canada helped establish it as a vehicle for representing and professionalizing the trust industry as a whole. So successful has the Association proven to be, that over 95% of all those federally and provincially chartered trust companies eligible to do so, are now counted as its members.

The Association has two chief aims — to serve as communications liaison between the trust industry and the public, and to professionalize the industry by offering educational opportunities to those within the industry for professional development. Working within the Association, Metro Trust has helped to further this second major aim by contributing to the establishment of The Trust Companies Institute of Canada, the educational division of the Association.

The program designed for trust industry personnel offers courses of study in the various aspects of financial management and leads toward four degrees of professional designation — Associate, Member, Fellow and Councillor.

Metro Trust's President and Chief Executive Officer, Mr. T. S. Ripley, has been honoured with the title of Councillor of the Trust Companies Institute, the highest recognition for professionalism the trust industry can bestow. Metro Trust has three individuals who are accredited Members of the Trust Companies Institute. They are Mr. A. J. Russell, Vice-President and General Manager, Mr. P. A. Armstrong, Manager — Mortgage Division, and Mr. W. H. Thompson, Manager — Trust Division. Metro Trust also has eleven accredited Associate Members.

The Metropolitan Trust Company continues to take an active role in the Association and its Institute and eagerly endeavours to further the aims of increased professional development and improved communications within and without the industry.



50 kinds of flowers
for all kinds of people